

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7420

BILL NUMBER: SB 334

NOTE PREPARED: Jan 12, 2009

BILL AMENDED:

SUBJECT: Credit for teachers purchasing classroom supplies.

FIRST AUTHOR: Sen. Lubbers

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill provides, for taxable years beginning after December 31, 2011, that an individual employed as a teacher is entitled to a credit against the individual's adjusted gross income liability for amounts expended on classroom supplies to a maximum of \$50 per taxable year.

Effective Date: January 1, 2010.

Explanation of State Expenditures: The Department of State Revenue will incur additional expenses to revise tax forms, instructions, and computer programs to reflect the new tax credit. The Department's current level of resources should be sufficient to implement this change.

Explanation of State Revenues: (Revised) *Summary* - This bill provides an Adjusted Gross Income (AGI) Tax credit for individuals employed as teachers for classroom expenses, and could potentially reduce revenue to the General Fund by approximately \$3.1 M to \$3.4 M in FY 2013. The amount of the credit is the lesser of \$50, or the amount that the individual claims as a deduction on their federal tax returns.

Background Information - For tax years 2003-2005, an average of 63,000 Indiana taxpayers claimed an average of \$246 per taxpayer for the federal deduction for expenses for classroom supplies. Currently, there are approximately 68,000 teachers in Indiana. Assuming that 63,000 to 68,000 Indiana taxpayers claim a credit of \$50, would reduce revenue by \$3.1 M to \$3.4 M. The tax credit begins in tax year 2012, so the impact will begin in FY 2013. Revenue from the AGI Tax on individuals is deposited in the state General Fund.

Deduction for Educator Expenses: The federal deduction for educator expenses began in tax year 2002. It

consists of expenses such as books, supplies, computer equipment, (including software and services), and supplemental materials used in the classroom. The amount of the expenses cannot exceed \$250.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: David Jordan, Statistical Information Services, Internal Revenue Service, 202-874-0410.

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